

Message Text

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PAGE 01 STATE 195624

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EXDIS, TODEP 66

FOLLOWING REPEAT SECTO 20039 SECSTATE 06 AUG 76

QUOTE C O N F I D E N T I A L SECTO 20039

EXDIS

DEPT PASS ERDA FOR GIAMBUSSON

E.O. 11652: GDS

TAGS: USIRJC TECH IR

SUBJ: NUCLEAR ENERGY DISCUSSIONS

REF: TEHRAN 7928

1. SUMMARY: DISCUSSIONS WITH ETEMAD AND HIS STAFF ENDED AUGUST 5, NOON, WITH THE CONCLUSION BY ETEMAD THAT THE INTENSIVE THREE DAYS OF TALKS WERE HIGHLY USEFUL IN NARROWING THE ISSUES. ETEMAD REQUESTED THAT THE U.S. DEVELOP A NEW PROPOSAL ON THE BASIS OF OUR TALKS, AND THAT WE ARRANGE TO MEET AGAIN IN WASHINGTON AS SOON AS POSSIBLE. END SUMMARY.

2. SUBSTANTIVELY, THURSDAY'S SESSION INVOLVED NO SURPRISES AND NO FUNDAMENTAL CHANGE IN THE SITUATION AS REPORTED IN REFTEL.

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PAGE 02 STATE 195624

COMMITTEE COMPLETED DISCUSSIONS OF REPROCESSING ISSUE, AND

COVERED OTHER ISSUES RAISED BY THE IRANIANS IN THEIR JULY 21 COMMENTARY. AS ANTICIPATED, THE MOST DIFFICULT AND CONTENTIOUS OF THESE ISSUES WAS THE IRANIAN PROPOSAL THAT THE U.S. GIVE ASSURANCE OF ISSUANCE OF EXPORT LICENSES AS NECESSARY DURING TERM OF THE AGREEMENT. CITING AS EXAMPLES THE ARTICLE BY SENATOR RIBICOFF, PROPOSING A CUT-OFF OF NUCLEAR FUEL SUPPLY TO SUPPLIER COUNTRIES WHICH DO NOT CONFORM TO U.S. NON-PROLIFERATION POLICIES, AND POSSIBLE CUT OFF OF NUCLEAR FUEL SUPPLIES TO INDIA DESPITE EXISTENCE OF FUEL SUPPLY CONTRACT, ETEMAD EXPRESSED DEEP CONCERN THAT THE CREDIBILITY OF U.S. SUPPLY ASSURANCES WERE SUBJECT TO GRAVE DOUBTS, AND THAT IRAN COULD NOT ACCEPT A SITUATION IN WHICH PROJECTS INITIATED IN GOOD FAITH WERE SUBJECT TO INTERRUPTION BY REASON OF EXPORT LICENSE DISAPPROVAL. IRANIANS STATED THAT THEIR POLICY REQUIRES REACTOR SUPPLIERS TO UNDERTAKE UNCONDITIONAL OBLIGATION TO SECURE THE NECESSARY EXPORT LICENSES, AND THAT "FORCE MAJEURE" I.E., GOVERNMENTAL DISAPPROVAL, WOULD NOT CONSTITUTE AND EXCUSE. THEY STATED CATEGORICALLY THAT THERE WOULD BE NO CONTRACTS WITH U.S.; SUPPLIERS IN THE ABSENCE OF AGREEMENT TO THIS PROVISION.

3. CLOSELY RELATED ISSUE STRESSED BY IRANIANS WAS PROVISION OF U.S. DRAFT WHICH MAKES COOPERATION SUBJECT NOT ONLY TO EXISTING LAWS, REGULATIONS AND LICENSE REQUIREMENTS (WHICH THEY ACCEPT) BUT TO FUTURE CHANGES AS WELL. ETEMAD POINTED OUT THAT PROVISION OF THIS TYPE WAS DOUBLE-EDGED SWORD, AND THAT UNDER PROVISION SUCH AS THIS IRAN COULD ALSO PASS HIGHLY UNDESIRABLE LAWS, SUCH AS EXCLUSION OF FOREIGN PARTICIPATION IN FACILITIES, WITHOUT BEING REGARDED AS IN DEFAULT OF AGREEMENT.

4. USDEL RESPONDED TO LICENSING ISSUE BY STRESSING THE PARTICIPATION OF THE NUCLEAR REGULATORY COMMISSION IN THE GOVERNMENTAL PROCESS, AND THE GREAT WEIGHT WHICH NRC GIVES TO PROVISIONS OF AGREEMENTS FOR COOPERATION AND TO EXECUTIVE BRANCH ADVICE ON LICENSE APPLICATIONS. WE INDICATED THAT THERE WAS GREAT AWARENESS WITHIN THE U.S. GOVERNMENT OF THE PROBLEMS CITED BY IRAN AND THAT THESE WERE NOW SUBJECT OF INTENSIVE STUDY IN U.S. NEVERTHELESS, WE BELIEVE THIS PROBLEM WILL LOOM INCREASINGLY LARGE, AND MAY WELL BECOME THE CRITICAL NEGOTIATING ISSUE AS OTHER ISSUES ARE DISPOSED OF.

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PAGE 03 STATE 195624

5. WITH RESPECT TO TIMING OF THE NEXT NEGOTIATIONS, ETEMAD PROPOSED THAT NEXT ROUND COULD TAKE PLACE IN WASHINGTON WITHIN TWO TO THREE WEEKS AFTER RECEIVING OUR NEXT DRAFT. HOWEVER, HE INDICATED THAT HE PERSONALLY WOULD BE UNAVAILABLE UNTIL LATTER PART OF NOVEMBER, AND THAT DISCUSSIONS COULD PROCEED EARLIER WITH HIS STAFF, (FOR REASONS CITED IN PREVIOUS REPORTING TELEGRAMS, I.E., THE NEGATIVE ATTITUDE OF ETEMAD'S STAFF, WE HAVE SERIOUS DOUBTS WHETHER RESUMING NEGOTIATIONS WITHOUT ETEMAD'S

PARTICIPATION IS IN OUR INTEREST.

6. TEXT OF COMMITTEE REPORT, MAIN PART OF WHICH ALREADY
COVERED IN REF A WILL BE CABLED IN SEPTTEL.
KISSINGER

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